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C O N F I D E N T I A L GUATEMALA 001017

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TAGS: [PGOV](#) [KCRM](#) [ECON](#) [GT](#)
SUBJECT: PRESIDENT OF CONGRESS RESIGNS OVER INVESTMENT
SCANDAL

REF: GUATEMALA 759

Classified By: Ambassador Stephen G. McFarland for reasons 1.4 (b,d)

¶1. (U) Summary: On August 6, President of Congress Eduardo Meyer of the governing UNE Party resigned from office in the face of mounting political pressure over an investment scandal that has wracked Congress and periodically dominated press headlines in Guatemala. In recent days, leaders of all major political parties pressed for Meyer's resignation after Raul Giron, general manager and legal representative of Mercado de Futuros, S.A. (MDF), fled from justice after failing to meet a July 31 deadline to return approximately \$11 million of public funds that had been illegally transferred from Congress to Giron's private investment house. Giron's disappearance and failure to return the funds to Congress complicate matters for Meyer, who may now face criminal charges, in addition to the original lesser charge of mismanagement of funds. Meyer's departure leaves the presidency of Congress, at least temporarily, in the hands of an opposition party and may cause the Colom administration to have to make more concessions on important legislation such as fiscal reform. End Summary.

¶2. (U) In June, Eduardo Meyer temporarily relinquished his post as President of Congress in response to mounting political pressure over the ongoing scandal and demands for his resignation by political party leaders (reftel). Guatemalan Republican Front (FRG) bench leader Aristides Crespo continues to serve as Acting President in Meyer's stead. For now, Meyer will maintain his congressional seat as a representative of the governing National Unity of Hope (UNE) Party.

¶3. (U) The most recent firestorm surrounding the investment scandal in Congress resulted from Raul Giron's disappearance. On the evening of July 31, Raul Alfonso Giron Galvez, general manager and legal representative of MDF, met with Acting President of Congress Crespo to ask for an additional 90 days to return the approximately \$11 million that Congress had illegally transferred to his investment house. According to press reports, Crespo denied Giron's extension request and indicated that Congress would take legal action against MDF. The Attorney General's Office subsequently ordered Giron's arrest at midnight, when the deadline for return of the money ended, but by then Giron had disappeared. He is rumored to have fled to El Salvador, where MDF also has offices.

¶4. (U) The Guatemalan Attorney General's Office has frozen Giron's personal accounts, as well as MDF's local accounts, and is attempting to freeze other assets, some of which are reportedly located in the U.S. Solicitor General Baudilio Portillo Merlos has asked the judiciary to seize properties owned by Giron as well as those of the two other fugitives allegedly involved in the scandal -- Meyer's former private

secretary Byron Sanchez and Congress's former Chief Financial Officer Jose Conde -- in the hopes of recovering part of the \$11 million.

15. (U) Now that the approximately \$11 million may have disappeared with Giron, Meyer may face criminal charges rather than lesser charges for misuse of funds. Possible charges include fraud and embezzlement, which carry prison sentences of up to four years and ten years respectively.

16. (C) 2007 presidential runner-up General Otto Perez Molina of the Patriot Party (PP) has insisted that the approximately \$93,000 that he received from MDF in March was a personal loan from Giron and did not involve congressional funds. However, Superintendent of Banks Edgar Barquin recently told econoff that he has "documentary proof" linking Perez Molina's loan to the approximately \$11 million of congressional funds that were illegally transferred to MDF. According to press, Perez's \$93,000 were drawn from the same account that held the \$11 million, raising doubts about Perez's claim that his loan was in no way connected to the congressional funds.

17. (C) Comment: As a result of this scandal, Meyer has lost all legitimacy. His permanence as President of Congress would have been untenable and his departure leaves the presidency of Congress, at least temporarily, in the hands of an opposition party and may cause the Colom administration to have to make more concessions on important legislation such as fiscal reform. Giron's disappearance and MDF's failure to return the approximately \$11 million further sully the Congress in the public eye. Recent editorials have blasted congressional corruption as well as the sloppy police work

that let Giron slip away. Giron's flight has also cast further doubt on the legitimacy of the "personal loan" that he made to opposition leader Otto Perez Molina.
McFarland